

## Message Text

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SUBJECT: THIRD SESSION FAO COMMISSION FERTILIZER,

JUNE 8-11, 1976

FOR CIEC DEVELOPMENT COMMISSION DELEGATION

"FOLLOWING IS A REPEAT

QUOTE R 141800Z JUN 76

FM AMEMBASSY ROME

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UNCLASS SECTION 1 OF 2 ROME 9708

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SUMMARY: THIRD SESSION WAS WELL ATTENDED. IN OPENING STATEMENT ASSISTANT DIRECTOR GENERAL, FAO AGRICULTURE DEPARTMENT, CONCLUDED THAT TASK OF COMMISSION WAS TO PROVIDE FAO GUIDELINES RELATING TO FUTURE OF INTERNATIONAL FERTILIZER SCHEME AS WELL AS FUTURE PROGRAM OF WORK OF COMMISSION. ADDRESS BY CHAIRMAN OF FAO COUNCIL INDICATED INTEREST OF COUNCIL IN FUTURE OF SCHEME AND ASKED COMMISSION TO REVIEW TERMS OF REFERENCE. CURRENT FERTILIZER SITUATION INDICATED DROP IN CONSUMPTION, INCREASE IN STOCKS AND DECLINE IN PRICES. OUTLOOK TO 1980/81, BASED ON PLANNED EXPANSIONS OF PLANT CAPACITY AND FORECASTS OF DEMAND, INDICATE SUPPLIES OF ALL THREE FERTILIZER NUTRIENTS ARE EXPECTED TO BE ADEQUATE. MORE ATTENTION TO INCREASING USE OF FERTILIZER IS NEEDED.

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WORLD BANK HAS BEEN ACTIVE IN FINANCING NEW FERTILIZER PLAN AND IMPROVING FERTILIZER PRODUCTION AND MARKETING. UNIDO REPORTED UNDERTAKING A NEW STUDY OF THE WORLD FERTILIZER INDUSTRY TO BE USED AT A MEETING NEXT JANUARY. THE

DEVELOPED COUNTRIES PROPOSED THE ORDERLY CLOSING OF THE INTERNATIONAL FERTILIZER SCHEME WHILE THE DEVELOPING COUNTRIES CLEARLY FAVORED ITS CONTINUATION WITH MORE FERTILIZER AID GOING THROUGH THE SCHEME. THE COMMISSION ENDORSED THE PROPOSAL OF THE DIRECTOR GENERAL THAT THE SCHEME BE CONTINUED UP TO THE END OF 1977 LEAVING THE FUTURE OF IFS TO THE FAO COUNCIL. THE REVIEW OF THE TERMS OF REFERENCE WAS ASSIGNED TO A CONSULTATIVE WORKING GROUP OF THE COMMISSION. END SUMMARY.

1. THE THIRD SESSION OF THE COMMISSION WAS WELL ATTENDED BY 54 MEMBER COUNTRIES. P.J. FERNANDES (INDIA) WAS ELECTED CHAIRMAN. FIRST VICE-CHAIRMAN WAS P.A. OLIVER (NEW ZEALAND) WHO ALSO SERVED AS CHAIRMAN OF THE DRAFTING COMMITTEE. SECOND VICE CHAIRMAN WAS V. BLANCO (MEXICO). THE DRAFTING COMMITTEE CONSISTED OF BOLIVIA, FEDERAL REPUBLIC OF GERMANY, INDIA, IRAN, NEW ZEALAND, SRI LANKA, UNITED KINGDOM AND U.S.

2. D.F.R. BOMMER, ASSISTANT DIRECTOR GENERAL, AGRICULTURE DEPARTMENT OF FAO, OPENED SESSION ON BEHALF OF DIRECTOR-GENERAL SAOUMA. HE REVIEWED ACTION TAKEN ON COMMISSION'S RECOMMENDATIONS OF THE SECOND SESSION, ANNOUNCED THE ADDITION OF FOUR NEW MEMBERS OF THE COMMISSION BRINGING THE NUMBER TO 73, AND MENTIONED THE ESTABLISHMENT OF A FERTILIZER TASK FORCE TO COORDINATE ACTION IN FAO ON FERTILIZER AND THE CLOSE COOPERATION WITH OTHER INTERNATIONAL BODIES, PARTICULARLY UNIDO AND WORLD BANK. DR. BOMMER CONCLUDED THAT THE TASK OF THE THIRD SESSION WAS TO PROVIDE GUIDELINES TO FAO WITH RESPECT TO (1) THE FUTURE OF THE INTERNATIONAL FERTILIZER SUPPLY SCHEME; (2) THE ROLES OF COMMODITY AGREEMENTS FOR FERTILIZER AND LONG-TERM CONTRACTS TO ASSIST WITH SUPPLY AND PRICE STABILITY; (3) CHANGING FERTILIZER PLANT NUTRIENT TERMINOLOGY FROM OXIDE TO ELEMENTAL FORM; AND (4) THE FUTURE PROGRAM OF WORK OF THE COMMISSION.

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3. THEN FOLLOWED AN ADDRESS BY THE INDEPENDENT CHAIRMAN OF THE FAO COUNCIL, G. BULA HOYOS. HE SINGLED OUT THE INTERNATIONAL FERTILIZER SUPPLY SCHEME AS BEING OF PARTICULAR INTEREST TO THE FAO COUNCIL AND STATED THE INCREASING NECESSITY OF STRENGTHENING THE BILATERAL AND MULTILATERAL AID MACHINERY RELATING TO SUPPLY OF FERTILIZER. HE ASKED THE COMMISSION TO MAKE RECOMMENDATIONS FOR THE IMPROVEMENT OF THE WORK AND FUNCTIONING OF IFS FOR AS LONG AS ITS EXISTENCE IS NECESSARY. STATING THAT LONG TERM EXPANSION OF THE PRODUCTION OF FERTILIZERS IN DEVELOPING COUNTRIES WILL PERHAPS CONTRIBUTE THE MOST TO SOLVING THE WORLD FOOD PROBLEM, HE REFERRED TO THE TERMS OF REFERENCE ESTABLISHING THE COMMISSION, AND INQUIRED WHETHER ENOUGH

ATTENTION HAD BEEN GIVEN TO DETERMINE WHAT STEPS NEED TO BE TAKEN TO ENABLE THE LDGS TO EXPAND THEIR FERTILIZER PRODUCTION. HE THEN SUGGESTED THAT THE COMMISSION SHOULD REVIEW THE TERMS OF REFERENCE SET BY THE FAO COUNCIL AND CONSIDER NEW GUIDELINES SO THAT COMMISSION MAY ADAPT ITS WORK TO HELP FAO PLAY A MORE DYNAMIC AND ACTIVE ROLE IN PROVIDING BETTER SERVICE TO MEMBER COUNTRIES, PARTICULARLY DEVELOPING NATIONS. IN THIS CONNECTION HE REFERRED TO THE NEW POLICY FORMULATION OF THE DIRECTOR GENERAL WHICH WILL COME BEFORE THE FAO COUNCIL IN JULY.

4. SECRETARIAT PROVIDED AN EXCELLENT REVIEW OF THE CURRENT SITUATION AND LONGER TERM OUTLOOK, THE MAIN POINTS BEING THE FOLLOWING: (A) WORLD FERTILIZER CONSUMPTION IN 1974/75 DECLINED FOR THE FIRST TIME IN 30 YEARS DUE MAINLY TO AN ABSOLUTE DROP IN DEVELOPED COUNTRIES WHILE RATES OF GROWTH WERE LESS IN DEVELOPING AND CENTRALLY PLANNED COUNTRIES. (B) WITH A DECLINE IN CONSUMPTION AND INCREASES IN STOCKS IN BOTH MAJOR EXPORTING AND IMPORTING COUNTRIES. PRICES OF NITROGENOUS AND PHOSPHATE FERTILIZERS IN INTERNATIONAL TRADE BY LATE 1975 HAD DECLINED TO LEVELS SIMILAR TO LATE 1973. (C) ON BASIS OF FORECASTS OF WORLD FERTILIZER SUPPLY CAPABILITY AND DEMAND UP TO 1980/81, BASED ON PLANNED EXPANSIONS IN PRODUCTION CAPACITY, SUPPLIES OF ALL THREE FERTILIZER NUTRIENTS ARE EXPECTED TO BE ADEQUATE. (D) PROJECTIONS OF FUTURE DEMAND INDICATE NEED FOR INVESTMENT IN NEW PLANTS, PARTICULARLY IN DEVELOPING COUNTRIES TO COME ON-STREAM IN THE EARLY 1980'S IF SUPPLY IS TO UNCLASSIFIED

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CONTINUE TO BE ADEQUATE. (D) ATTENTION NEEDS TO BE FOCUSED BY DEVELOPING COUNTRIES ON PROMOTION OF THE INCREASED USE OF FERTILIZER BOTH WITH REGARD TO THE NUMBER OF FARMERS USING FERTILIZER AS WELL AS THE RATES OF APPLICATIONS. (5)

5. WORLD BANK REPRESENTATIVE REPORTED ON LARGE AND INCREASED CONTRIBUTION TO FERTILIZER INVESTMENT AND TECHNICAL HELP ON PRODUCTION PROJECTS IN DEVELOPING COUNTRIES IN THE AMOUNT OF \$434 MILLION AND \$105 MILLION FOR IMPROVING PRODUCTION. THE BANK ALSO APPROVED A LOAN OF \$60 MILLION FOR A FERTILIZER DISTRIBUTION PROJECT IN INDONESIA. SO FAR IN 1076 LOANS OF \$120 MILLION FOR FERTILIZER PLANTS HAVE BEEN APPROVED.

6. THE COMMISSION HEARD A STATEMENT PRESENTED ON BEHALF OF THE CONSULTATIVE GROUP ON FOOD PRODUCTION AND INVESTMENT (CGFPI) WHICH DEVOTED ATTENTION AT ITS FIRST MEETING (JUNE 1975) TO VARIOUS INVESTMENT RELATED ASPECTS OF THE PRODUCTION, DISTRIBUTION AND USE OF FERTILIZERS. AT ITS SECOND MEETING (FEBRUARY 1976) CGFPI DISCUSSED REGIONAL PLANNING FOR FERTILIZER INDUSTRY DEVELOPMENT.

7. THE OBSERVER FROM UNIDO REPORTED THAT A WORLD STUDY OF THE FERTILIZER INDUSTRY WAS BEING UNDERTAKEN BY UNIDO'S NEW INTERNATIONAL CENTER FOR INDUSTRY. THE OBJECTIVES OF THE STUDY WERE TO PROVIDE DEVELOPING COUNTRIES WITH INFORMATION THEY NEED TO ESTABLISH FERTILIZER TECHNOLOGY, TO UPDATE AND TRANSFER TECHNOLOGICAL INFORMATION TO DEVELOPING COUNTRIES AND PROVIDE SPECIFIC INFORMATION ON MARKETING STORAGE AND DISTRIBUTION INFRASTRUCTURES. THE RESULTS OF THIS STUDY WILL BE THE BASIS FOR A MEETING IN VIENNA IN JANUARY WHICH WILL HAVE FINANCIAL SUPPORT FROM THE NETHERLANDS.

8. THE COMMISSION TOOK NOTE OF THE FAO FERTILIZER PROGRAM WHICH RECEIVES SUPPORT FROM THE FERTILIZER INDUSTRY ADVISORY COMMITTEE (FIAC) AND PLAYS A ROLE IN PROMOTING THE USE OF MARKETING AND MANAGEMENT AND ON FERTILIZER SUBSIDIES AND PRICES CAN BE EXPECTED.

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9. AS A RESULT OF DISCUSSION ON FERTILIZER TERMINOLOGY RELATING TO CHANGING FROM THE OXIDE TO THE ELEMENTAL EXPRESSION OF PLANT NUTRIENTS, THE COMMISSION RECOMMENDED THAT A WORKING PAPER BE PREPARED AND CIRCULATED TO MEMBER COUNTRIES OF THE COMMISSION AND TO INTERNATIONAL ORGANIZATIONS CONCERNED, INCLUDING THE INTERNATIONAL STANDARDS ORGANIZATION, AND REPORT REACTIONS AT THE NEXT SESSION OF THE COMMISSION.

10. THE AGENDA ITEM RELATING TO THE ACTIVITIES AND THE FUTURE OF THE INTERNATIONAL FERTILIZER SUPPLY SCHEME (IFS) WAS THE MOST CONTROVERSIAL. THE SECRETARIAT, BOTH IN THE DOCUMENT AND ITS INTRODUCTION, TRIED TO DEFEND THE IMPACT OF THE SCHEME AND FOCUSED ATTENTION ON CONTINUING NEED OF IFS BY DEVELOPING COUNTRIES.

11. DURING THE DEBATE, CONTINUATION OF THE SCHEME WAS CLEARLY FAVORED BY 14 COUNTRIES. THESE WERE BANGLADESH, YUGOSLAVIA, MALTA, MEXICO, GUINEA, INDONESIA, INDIA, CAMEROON, GHANA, BOLIVIA, ZAMBIA, IRAN, KENYA AND LATER SRI LANKA. IN THIS LATE INTERVENTION AND AGAIN WHEN CONSIDERING THE REPORT, SRI LANKA PROPOSED THAT IFS BE GIVEN PERMANENT STATUS AND THAT FERTILIZER AID BE HANDLED IN A MANNER SIMILAR TO FOOD AID UNDER THE COMMITTEE FOR FOOD AID WITH PROVISION FOR COUNTRIES TO SWITCH BETWEEN FERTILIZER AND FOOD ASSISTANCE.

12. IN FAVORING CONTINUATION IFS, INDIA INDICATED THAT THE REPORT SHOULD STATE THAT THE DELEGATION OFFERED TO FOREGO HER POSITION AS A RECIPIENT TO ENABLE SUCH FERTILIZER TO GO TO OTHER MSA COUNTRIES HAVING SMALLER FERTILIZER

REQUIREMENTS.

13. NEW ZEALAND FAVORED CONTINUATION OF THE SCHEME IF THERE WAS A CONSENSUS TO DO SO AND IF FUNDS WERE PROVIDED FOR FERTILIZER. UNITED KINGDOM FOLLOWED THE POSITION OF NEW ZEALAND BUT ADDED THAT BILATERAL FERTILIZER AID WOULD CONTINUE.

14. EIGHT COUNTRIES FAVORING AN ORDERLY CLOSING OF THE SCHEME BY THE END OF 1977 INCLUDED AUSTRALIA, UNITED STATE  
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NETHERLANDS, NORWAY, DENMARK, CANADA, SWITZERLAND AND THE FEDERAL REPUBLIC OF GERMANY. JAPAN, WHILE FAVORING CLOSING THE SCHEME, WISHED TO RESERVE HIS POSITION SO AS NOT TO PRECLUDE DISCUSSION AT THE FAO COUNCIL MEETING IN JULY ON PARAGRAPH 7.36 OF COUNCIL DOCUMENT 69/2 REGARDING EXTENDING THE SCHEME TO THE END OF 1977.

15. WHILE ONLY 3 COUNTRIES (YUGOSLAVIA, GUINEA AND SRI LANKA) PROPOSED THAT 30 PERCENT OF FERTILIZER AID BE CHANNELLED THROUGH IFS, GUINEA TRIED, IN THE DRAFTING COMMITTEE AND LATER WHEN THE REPORT WAS BEING CONSIDERED, TO HAVE THE SUPPORT APPEAR LARGER THAN THE FINAL AGREEMENT REFERRING TO A NUMBER OF DELEGATIONS FROM DEVELOPING COUNTRIES. WHILE YUGOSLAVIA AND SRI LANKA MENTIONED THE 1 MILLION TONS OF NUTRIENTS AS A TARGET FOR MULTILATERAL AND BILATERAL FERTILIZER AID, A FIGURE INCLUDED IN THE IFS DOCUMENT, THERE WAS NO ATTEMPT MADE TO HAVE THIS FIGURE APPEAR IN THE REPORT OF THE COMMISSION.

16. THE REPORT REFLECTED THE VIEW OF BOTH DEVELOPED AND DEVELOPING COUNTRIES REGARDING THE FUTURE OF IFS. WHILE NOTING THE STRONG VIEWS OF A NUMBER OF DELEGATES THAT THE SCHEME NOT BE DISCONTINUED, THE COMMISSION ENDORSED THE PROPOSAL OF THE DIRECTOR GENERAL IN DOCUMENT CL 69/2 PARA 7.36 AND RECOMMENDED THAT THE SCHEME BE CONTINUED UP TO THE END OF 1977 LEAVING THE FUTURE OF IFS UP TO THE COUNCIL. THIS CONSENSUS CONCLUSION HAD THE SUPPORT OF ALL MEMBERS.

17. AT THE REQUEST OF AUSTRALIA, ONE OF THE DONORS TO THE SCHEME MAKING A CONTRIBUTION AFTER MARCH 31, 1976, THE COMMISSION AGREED THAT THE IFS TABLES ANNEXED TO THE REPORT SHOULD BE UPDATED.

18. THE COMMISSION AGREED WITH THE CONCLUSION OF THE CONSULTATIVE WORKING GROUP THAT AN INTERNATIONAL COMMODITY AGREEMENT FOR FINISHED FERTILIZER WOULD NOT BE FEASIBLE.

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SINCE UNCTAD IV INCLUDED PHOSPHATES, PRESUMABLY PHOSPHATE ROCK, AMONG COMMODITIES FOR WHICH INTERNATIONAL AGREEMENTS

MIGHT BE NEGOTIATED, SOME DELEGATES REQUESTED CONTINUATION  
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OF WORK ON AGREEMENTS RELATING TO THIS COMMODITY TO BE  
UNDERTAKEN IN CLOSE COOPERATION WITH UNCTAD.

19. THE COMMISSION ACKNOWLEDGED THE VALUE OF LONG TERM  
CONTRACTS AS A PRICE STABILIZATION MEASURE AND REQUESTED  
CONTINUATION OF WORK WITH ATTENTION TO ENFORCEMENT  
PROCEDURES. THE WORK ON STUDIES OF INVESTMENT AND PRODUC-  
TION COSTS IS TO CONTINUE AND POTASH IS TO BE INCLUDED.

20. IN RESPONSE TO THE REQUEST OF THE INDEPENDENT CHAIRMA  
OF THE COUNCIL, THE COMMISSION AGREED THAT THE ECONOMIC  
WORK WAS EXTREMELY USEFUL AND SHOULD BE CONTINUED AND  
STRENGTHENED, BUT REGONIZED THAT ALL MATTERS WITHIN ITS  
TERMS OF REFERENCE HAD NOT SO FAR BEEN ADEQUATELY COVERE  
SOME DELEGATES QUESTIONED WHETHER LONG TERM CONTINUANCE  
OF THE COMMISSION UNDER ITS PRESENT TERMS OF REFERENCE  
SHOULD BE RECOMMENDED TO THE COUNCIL. IT WAS RECOMMENDED  
THAT THE RESPONSIBILITY FOR REVIEWING ITS TERMS OF  
PREFERENCE BE ASSIGNED TO THE CONSULTATIVE WORKING GROUP  
OF THE COMMISSION COMPOSED OF THE CHAIRMAN AND TWO VICE-  
CHAIRMEN OF THE COMMISSION, THE CHAIRMAN OF FIAG AND  
THE REPRESENTATIVE OF IRAN.

21. TIMING OF THE TEXT SESSION WAS LEFT TO THE DIRECTOR-  
GENERAL IN CONSULTATION WITH THE CHAIRMAN WITH CONSIDERA-  
TION GIVEN TO THE NEED FOR THE COMMISSION TO REVIEW THE  
IFS BEFORE THE END OF 1977. VOLPE  
ROBINSON

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